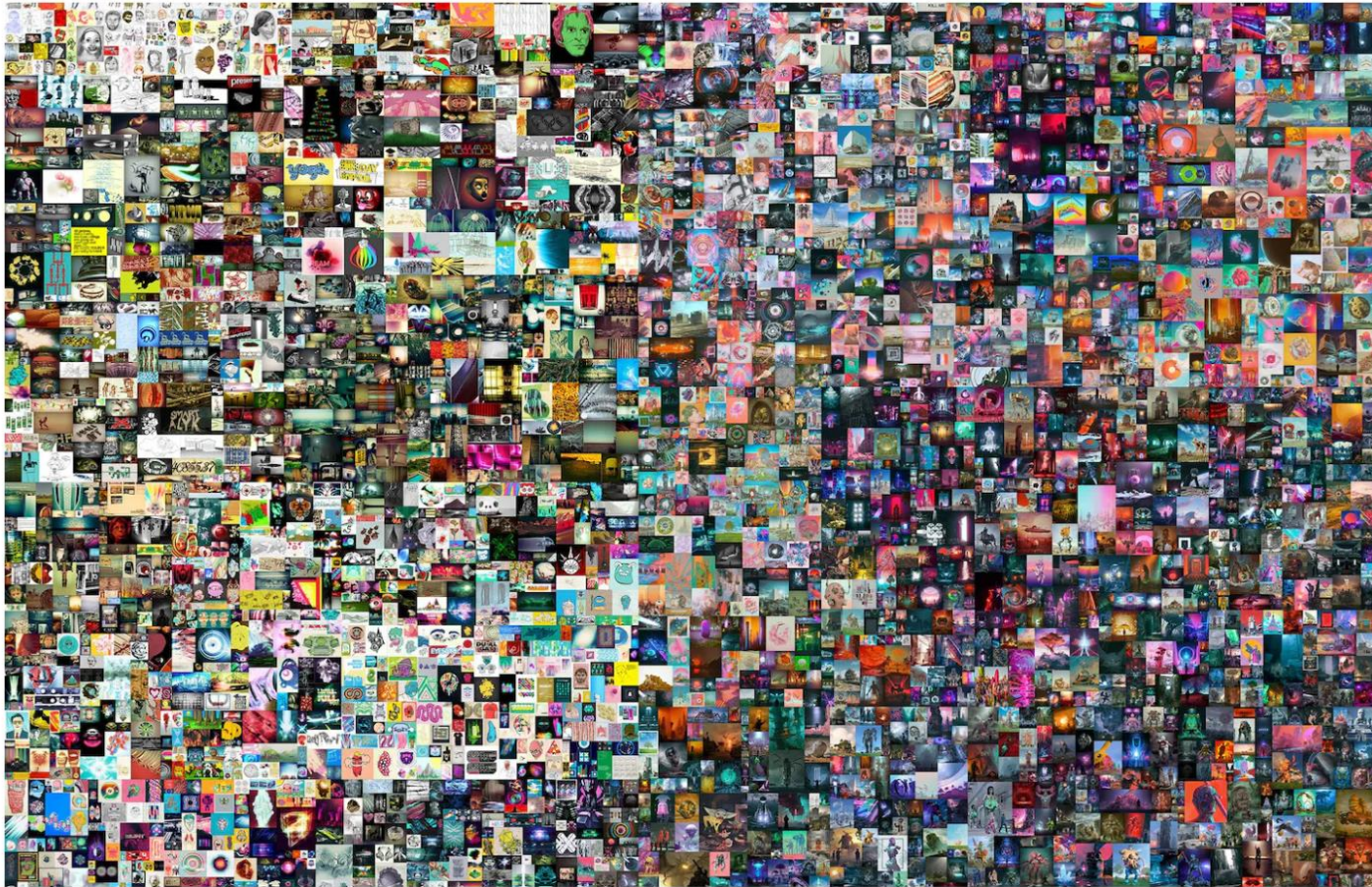


HOME GALLERY HELP

WHAT'S THE  
F\*cking POINT  
IN NFTS?

# Non-Fungible Tokens- NFTs

- ▶ Non-Fungible means that it is not interchangeable for another asset
- ▶ ie: It is unique (the identifying information is stored in a smart contract)
- ▶ NFTs can be beneficially owned and are recorded in a similar manner to other cryptoassets
- ▶ It is a cryptographic record of ownership for a unique item which is encoded into a Distributed Ledger (Blockchain)
- ▶ They are intangible so not currently possessable, ie: not able to physically possess them under law
- ▶ Used in a variety of ways - collectibles (including artwork), gaming - EG: Cryptokitties, Intellectual property, Ownership of physical property, records and identity verification, financial documents
- ▶ Mostly based on the Ethereum Blockchain



Beeple's collage, *Everydays: The First 5000 Days*, sold at Christie's. Image: Beeple





**Nifty Gateway**    
@niftygateway · [Follow](#)



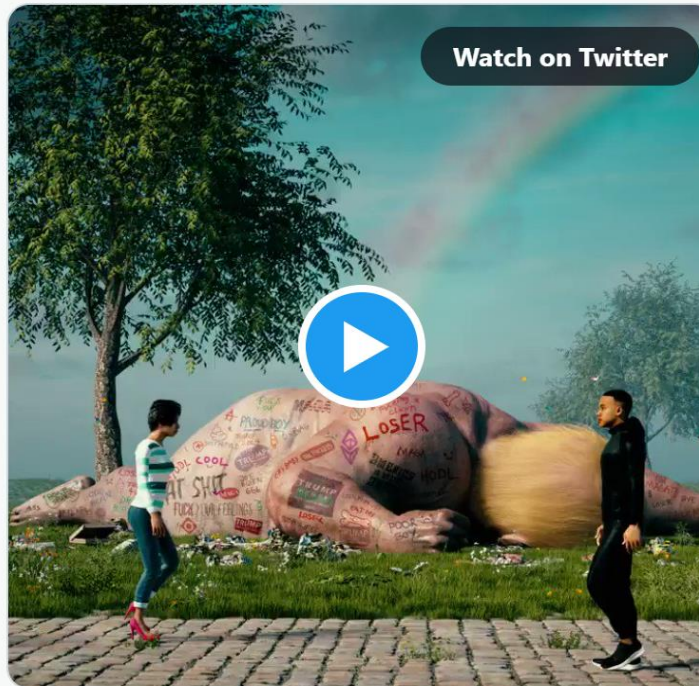
## CROSSROAD

By [@beeples](#)

The #1/1 from beeples's first NG drop has just resold on the secondary market for \$6.6 million.

History has just been made.

Congrats to beeples and of course to [@pablorafraile](#) for the sale.



1:15 AM · Feb 25, 2021



Tweets 



# @jack 2006-03-21 20:50:14

 16



jack   
@jack



just setting up my twttr

8:50 PM · Mar 21, 2006



157.4K



128.3K



Copy link to Tweet



**Sina Estavi**   
@sinaEstavi · [Follow](#)



I decided to sell this NFT ( the world's first ever tweet )  
and donate 50% of the proceeds ( \$25 million or more ) to  
the charity [@GiveDirectly](#)

 [opensea.io/assets/matic/0...](https://opensea.io/assets/matic/0...)



**OpenSea**



**Tweets** 



**@jack 2006-03-21 20:50:14**

 16



**jack**   
@jack



just setting up my twttr

8:50 PM · Mar 21, 2006



## Business

# 'Jack Dorsey's First Tweet' NFT Went on Sale for \$48M. It Ended With a Top Bid of Just \$280

Crypto entrepreneur Sina Estavi bought Twitter founder Jack Dorsey's first-ever tweet as an NFT for \$2.9 million last year. He listed the NFT for sale again at \$48 million last week.

By Sandali Handagama 🕒 Apr 13, 2022 at 7:48 p.m. GMT Updated Apr 16, 2022 at 3:12 p.m. GMT

A non-fungible token (NFT) of Twitter founder Jack Dorsey's first-ever tweet could sell for just under \$280. The current owner of the NFT listed it for \$48 million last week.

Iranian-born crypto entrepreneur Sina Estavi purchased the NFT for \$2.9 million in March 2021. Last Thursday, he announced on Twitter that he wished to sell the NFT, and pledged 50% of its proceeds (which he thought would exceed \$25 million) to charity. The auction closed Wednesday, with just seven total offers ranging from 0.09 ETH (\$277 at current prices) to 0.0019 ETH (almost \$6).





*Credit: Matthew Followill*







# An Original Banksy Has Been Burned and Turned Into an NFT

The £70,000 artwork, called Morons, was destroyed in a secret New York location today—and made into a non-fungible token.



By Adriana Hamacher

📅 Mar 4, 2021

🕒 5 min read

An original artwork by iconic British street artist Banksy, named “Morons,” has been physically burned and transformed into a digital representation—known as an NFT—by a group of collectors and investors. This digitized art-form, the group argues, is the future of the art industry.

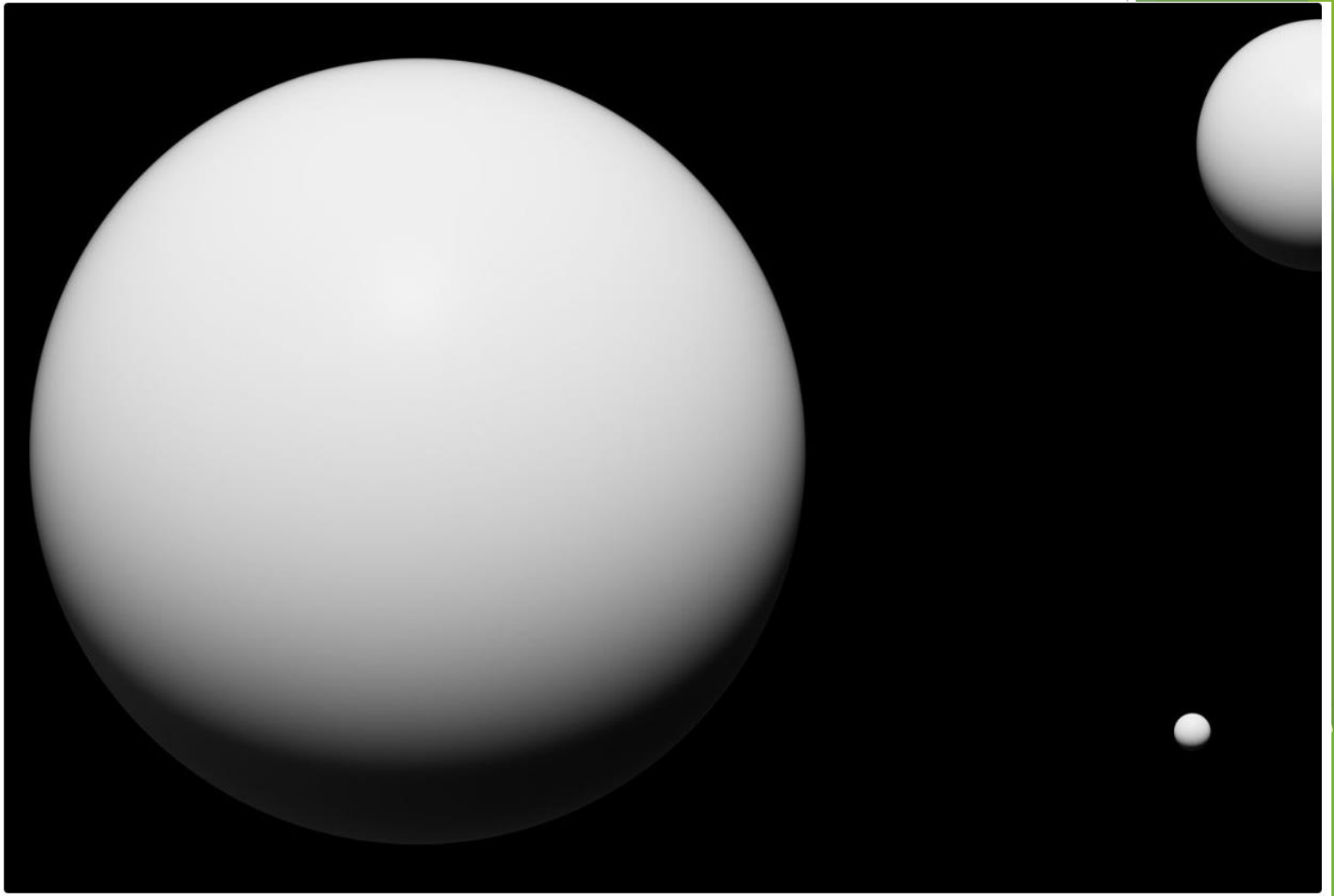


Morons, which had an estimated value of £70,000 (\$100,000) before it was burned, ridicules art collectors for purchasing expensive pieces of art. It was destroyed in Brooklyn, New York, this afternoon, and the event was live-streamed to a global audience. Prior to its destruction, the work was authenticated by Pest Control, a body Banksy set up to verify his art.



# Non-Fungible Tokens- NFTs

- ▶ March 2021 - digital artist Beeple sold NFT of a piece of his digital art “Everydays - The first 5,000 days”, for \$69.3M through Christies Auctions
- ▶ An original Banksy, Morons, was burnt in a livestream video after it had been tokenised. The NFT representing the video of the burning sold for \$380,000.
- ▶ Jack Dorsey sold his first tweet as an NFT for \$2.9M.
- ▶ Kings of Leon released an album as an NFT generating \$2M in sales. For them they bypassed streaming and download markets and collected royalties directly
- ▶ NBA produced NBA Top Shot - limited edition virtual basketball cards. The site had over 1.1M registered users in 2021 - traded \$800M
- ▶ June 2021 - Sir Tim Berners lee sold the source code for the internet via Sotheby's for \$5.4M
- ▶ Cryptokitties - once created Dapper labs (creator) are the copyright owner and can decided how the image is used



OFFICIAL

ART

# PAK's NFT Artwork 'The Merge' Sells for \$91.8 Million



By **Fang Block** Dec. 7, 2021 6:03 pm ET

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Digital artist Pak's newest creation, *The Merge*, has fetched US\$91.8 million on Nifty Gateway, with 28,983 collectors snapping up 312,686 total units of mass, or otherwise known as a nonfungible token (NFT).

The price was a record for an artwork sold publicly by a living artist, according to Nifty Gateway, a leading NFT marketplace.

"This is an incredible moment for NFTs with one of the top digital artists setting this record at Art Basel," Duncan Cock Foster, co-founder of Nifty Gateway, said in a news release. "This is further validation for NFTs as a medium of art and innovation that could only be integrated through blockchain technology."

However, the claim is debatable, depending on whether *The Merge* is ultimately considered to be a single piece or a series of artworks.

The auction record for a single artwork sold publicly by a living artist is US\$91.1 million, set by Jeff Koons's 1986 sculpture *Rabbit* in 2019.

*The Merge* was sold in an open edition (the opposite of limited edition) from last Thursday through Saturday. Buyers could purchase any number of tokens starting with a unit price of US\$575, which increased by US\$25 every six hours. By the end, the tokens sold for a total of US\$91.8 million.

The more mass buyers accumulated, the bigger their mass got. They received their final NFT on Monday, Nifty Gateway said.



# CyberKongz - NFTs

- ▶ Social Avatars - Play and Kollect - send on jungle adventures to collect exclusive NFTs - Kongium
- ▶ Each Genesis Cyberkong yields 10 \$Banana per day for a period of 10 years
- ▶ First 1,000 Genesis CyberKong created 1<sup>st</sup> March 2021
- ▶ “\$Banana is the utility token that fuels the CyberKongs ecosystem. It is not an investment and has NO economic value”
- ▶ Also acts as a governance token allowing voting rights
- ▶ 31<sup>st</sup> May 2022 - one Banana worth \$2.39 - highest \$105
- ▶ 4,834,35 in circulation - \$11,554,060 value
- ▶ October 2021 - \$1,050 per day, \$383,250 per annum
- ▶ Genesis Kongz #52 - purchased for 180 ETH (\$601,000)
- ▶ NFT Whale “AvariceVault” - purchased 4 in 17 days ??
- ▶ Holders of 2 Genesis Cyberkongz could mint Baby Kongz

### Genesis:



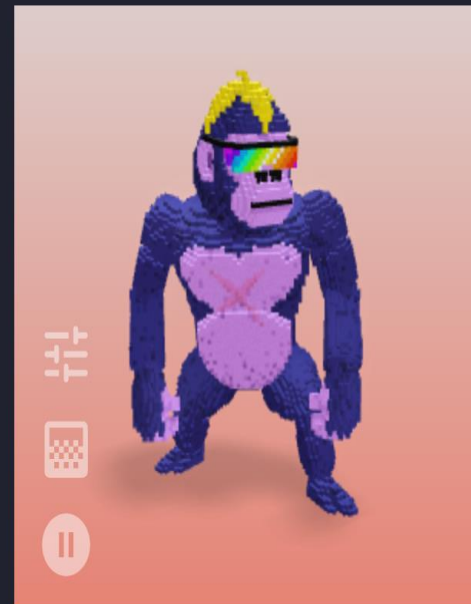
The OG Kongz, these were the first 1000 to drop, 10 of which are Legendary. Not only are these the sweetest profile pics around but they are also the only CyberKongz to yield \$BANANA daily. Each Genesis Kong produces 10 \$BANANA every day for the next 10 years.

### Baby/Incubator:



In order to expand the CyberKongz Universe the mad scientist Myoo created a cybernetic breeding process allowing 'cute as a button' Baby Kongz to be produced by breeding two Genesis Kongz, unfortunately the process requires a ton of energy, so 600 \$BANANA are required to fuel the breeding frenzy.

### VX:

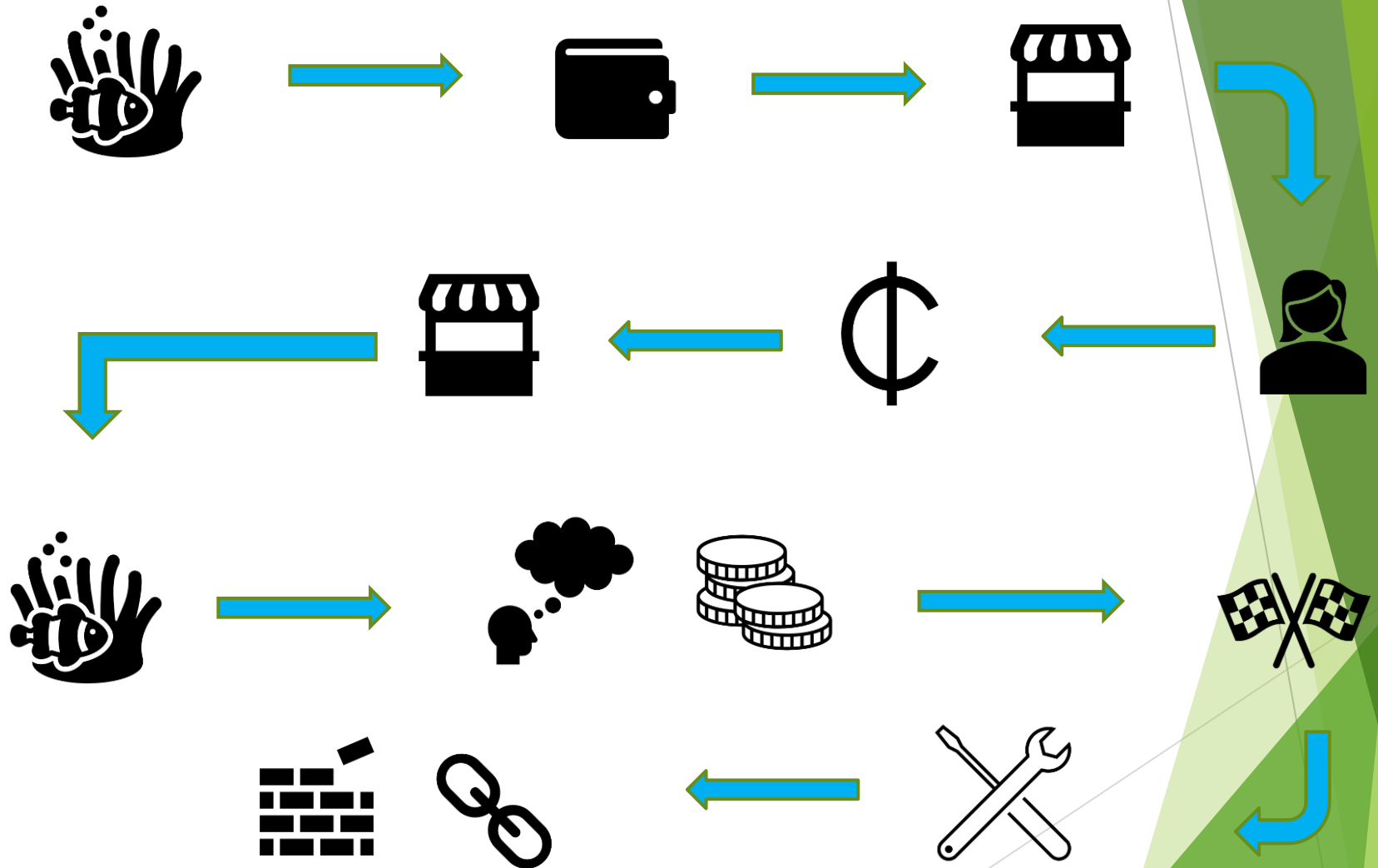


Not content with taking over the 2d NFT space, the continued evolution thrusts CyberKongz into the metaverse in the form of voxel-based avatars built to be used in online metaverse environments such as The Sandbox.

# NFTs

- ▶ Ukrainian Government selling NFTs to raise money
- ▶ 2020 value of sales \$250M (quadruple 2019)
- ▶ More than half NFT sales - less than \$200
- ▶ By 2025 estimated global market worth \$80 Billion
- ▶ By 2030 estimated global market worth \$3.5 Trillion per Currency.com
- ▶ How do you “create” an NFT?
- ▶ “Minting” - change a digital file into a crypto collectible or digital asset
- ▶ Stored in a decentralised database or distributed ledger
- ▶ Impossible to modify or delete
- ▶ Need a crypto wallet connected to NFT market place
- ▶ NFTs not generally considered to be “virtual assets” under FATF guidelines (October 2021)

# How to create your own NFT





# How do I sell my NFT?

- ▶ Click on “SELL” button on description page
- ▶ Specify sale conditions
- ▶ Fixed price for currency of choosing
- ▶ Timed auction
- ▶ Marketplace will disclose fees
- ▶ Marketplace decides GAS fees based on crypto network activity at time of listing
- ▶ You pay GAS fees
- ▶ You agree terms of sale
- ▶ NFT is listed and available for purchase

# **J5 NFT Market place RED FLAG INDICATORS**



## Introduction

The J5 seek to continuously improve fraud detection measures in place to detect and prevent criminal activity.

## Fraud Insight from the Sector

J5 recognises that data available to NFT Marketplaces can provide additional and valuable perspectives in combatting fraud.

A list of possible account/transaction attributes follows that may provide these insights. Some of this may be possible to derive from transactional activity alone, and some may be part of KYC or normal client relationship data held.

It is likely that any single indicator in isolation will not be a definitive indication of fraud, however a compound set of risk indications, after following a “Business as Usual” process, may provide insights into potential fraud:

- Newly minted or secondary market transactions of > USD 100,000 with no observable community.
- Smaller amounts broken down into Multiple transactions such as > USD 10,000 x 5, for a period, with no observable community.
- Re-used code within the NFT
- Synonymous sending and receiving parties to the same transaction
- A network of sending and receiving parties to the same transaction or group of transactions.
- Newly minted NFTs held by subjects being sold at high price points immediately which is not in line with others in the collection (potentially hiding the true reason for purchase)
- NFTs being sold for large sums and reacquired from the same party or a third party for smaller amounts would be a strong indicator.

- The turnover low value NFTs quickly. For example, on Top Shots with the NBA you see a lot of low value (i.e. sub 10K) NFTs being bought in the same day with owners only holding their position for minutes. This could be a way to wash funds – so owning for very short periods.
- Minting an NFT, buying it at an inflated price and selling for a considerable loss. For instance, a buyer acquires an NFT for \$1M and sells it for \$750K in a very short time.
- Clearly overpriced/underpriced NFT that is traded frequently in short time windows.
- Wash trading – artificially increasing sale value with each sale, between linked accounts.
- No Thumbnail on marketplace profile
- No checkmark for verification on market profile:

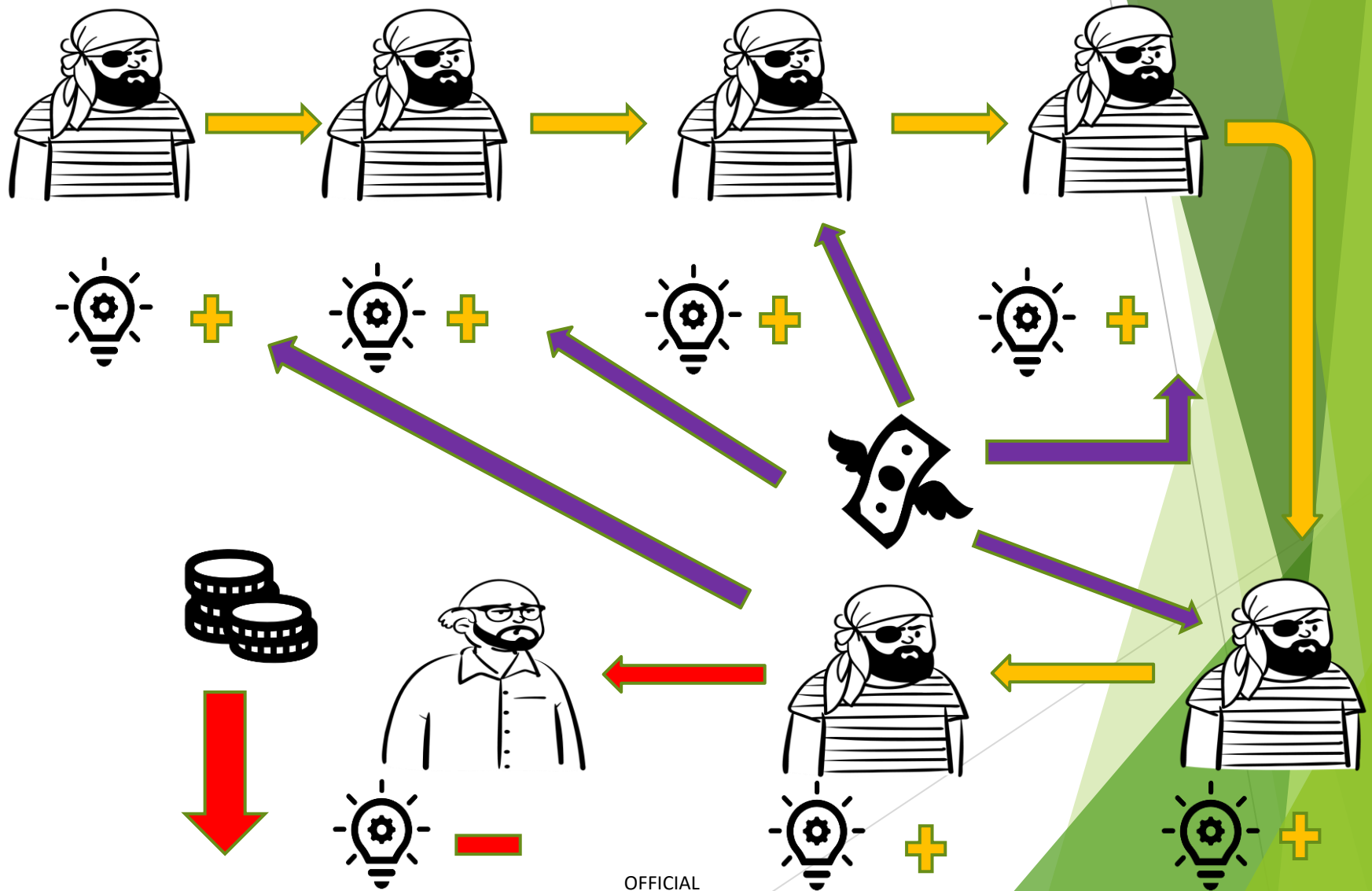


- a. Verified accounts with a blue checkmark (OpenSea). However, legitimate accounts can be hacked by illicit actors who then use the accounts for their laundering/scams.
- Non-existent contract address (Ethereum) for traceability on the project.
  - a. No clarity on when and where the NFT was minted. |
- Incorrect Mint Address - contract address doesn't match address provided on project website.
- Properties and project description fields of the NFT are empty or not clearly stated.
- Requiring seed phrase from Ethereum wallet in addition to the MetaMask wallet address for a transaction to be executed.
- Phishing scams: fake offers on NFTs, sent via email.
- Fake token give-aways/airdrops.
- Price - If there is a huge price gap, normally lower, between the site and a legitimate marketplace like OpenSea then there is reason to believe it is a scam.
- Social media impersonation – unverified accounts that also have no active followership and engagement.
- Similar NFT collections - copy to exploit for fraud
- Significant number of sales in a collection purchased from a mixer
- Significant number of sales in a collection purchased from same or clustered wallets
- NFT collection from high-risk area

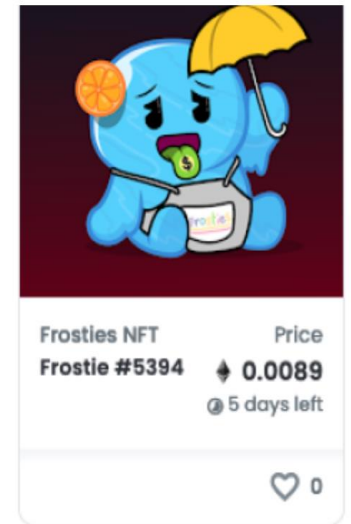
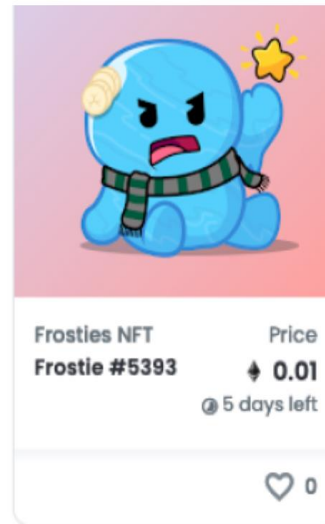
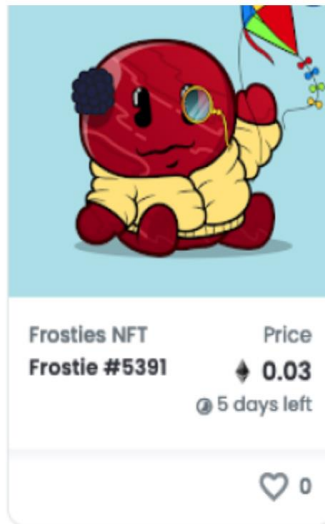
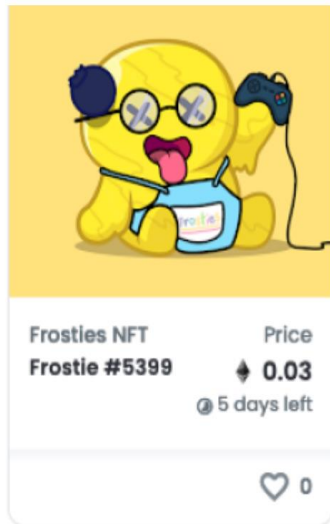
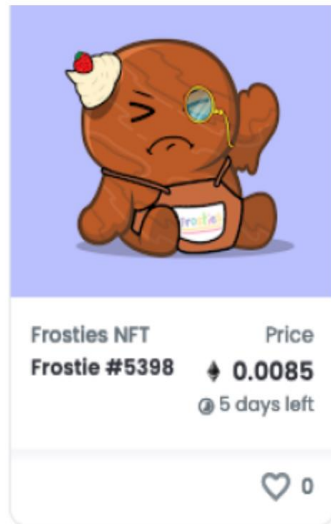
# So where is the crime?

- ▶ It has been observed in the UK - OCGs using NFTs for high volume money laundering
- ▶ Based in Russia and Dubai using NFTs to move illicit finance in and out of UK
- ▶ As market for NFTs grow so does the opportunity of using NFTs to launder
- ▶ “Pump and Dump” or “Wash Trading” problem
- ▶ Rug Pulls

# Pump & Dump Scenario



# Rug Pulls - Frosties



# Frosties NFT operators arrested over \$1.1 million 'rug pull' scam

Investors hand over their cryptocurrency. Project developers vanish.



Written by **Charlie Osborne**, Contributing Writer on March 25, 2022

[Home](#) » [Business](#) » Frosties NFT: 2 charged in US over \$1.3M rug pull

**| BUSINESS** 29 MARCH 2022

**Steve Kaaru**

## Frosties NFT: 2 charged in US over \$1.3M rug pull

The U.S. Department of Justice (DoJ) has charged two men with fraud for orchestrating a \$1.3 million rug pull involving [non-fungible tokens](#) (NFTs). The two sold close to 9,000 NFTs, known as Frosties and within hours, vanished with the investors' ETH.

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# EMBERS





# HMRC FIS NFT SEIZURE

- ▶ Believed to be first in UK. Possibly 1<sup>st</sup> in the world
- ▶ February 2022
- ▶ Seized 3 NFTs
- ▶ £1.4M VAT fraud involving over 250 fake companies
- ▶ Other case on-going
- ▶ Over £3M generated via NFT sales
- ▶ Initial outlay circa £70K
- ▶ Assets purchased with proceeds of crime are liable to forfeiture via confiscation

**Greg Kelly**

**HMRC Fraud Investigation Service  
Money Laundering Cryptoasset SME  
Economic Crime Operations**